# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

issued und	der P.A. 2 of	1968,	as amend	ded.						
Local Go	vemment Typ	e wnsh	ip 🗸	Village Other	Local Governme	ent Name OF TWINING			County ARENA	c
Audit Date 2/29/0				Opinion Date 7/8/04		Date Accountant Report Subs 3/23/05	mitted to State:	<u>.</u>		
accorda	nce with i	ine a	stateme	ents of the Govern	mental Accou	government and renders unting Standards Board ant in Michigan by the Mic	(GASB) and	the Unife	orm Ren	nents prepared porting Format for
We affir	m that:				*					
1. We	have com	plied	with th	e Bulletin for the Au	dits of Local L	Units of Government in M	lichigan as rev	ised.		
2. We	are certifie	ed pu	ıblic acc	countants registered	to practice in	Michigan.				
We furth	er affirm thats and rec	ne fo	llowing. nendatio	. "Yes" responses h ons	ave been disc	losed in the financial sta	tements, inclu	ding the n	otes, or	in the report of
You mus	t check the	e app	olicable	box for each item b	elow.					
Yes	<b>√</b> No	1.	Certai	in component units/	funds/agencie	s of the local unit are ex	cluded from th	e financia	l statem	ents.
Yes										
✓ Yes	Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).									
Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.										
Yes ✓ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 194 as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).							P.A. 20 of 1943			
Yes	<b>√</b> No	6.	The lo	cal unit has been de	elinquent in dis	stributing tax revenues th	nat were collec	ted for an	other ta	xing unit.
Yes	<b>√</b> No	7.	pensio	on benefits (nomai	costs) in the	utional requirement (Art current year. If the plan equirement, no contributi	is more than	100% fun	ded and	the overfunding
Yes	<b>√</b> No	8.	The lo			nas not adopted an app				
<b>√</b> Yes	☐ No	9.	The loa	cal unit has not ado	pted an invest	ment policy as required !	oy P.A. 196 of	1997 (MC	L 129.9	5).
We have	enclosed	the	followi	ing:			Enclosed		Be arded	Not Required
The letter	r of comme	ents	and rec	commendations.	SEE A	6 34	1			
Reports of	on individu	al fe	deral fir	nancial assistance p	rograms (prog	gram audits).				<b>/</b>
Single Au	ıdit Report	s (A	SLGU).							<b>✓</b>
	IBIIC Accounts			NY CPAS				· · · · · · · · · · · · · · · · · · ·		
Street Addr	ess					City	· · · · · · · · · · · · · · · · · · ·	State	ZIP	
Accountant	Signature				<del>, , , , , , , , , , , , , , , , , , , </del>	SAGINAW	·	MI	486	03
		a	UM.	ich 0-15	Mh	4		Date	-23	05.

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### INDEPENDENT AUDITORS' REPORT

Members of the Village Council Village of Twining Twining, Michigan

We have audited the accompanying general purpose financial statements of the Village of Twining as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village of Twining's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with U.S. generally accepted accounting principles. The cost value of the Village's general fixed asset account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Twining and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 8, 2004 on our consideration of the Village of Twining's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Twining. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Betthiume e/G.

July 8, 2004

# GENERAL PURPOSE FINANCIAL STATEMENTS

### ALL FUND TYPES AND ACCOUNT GROUPS

### **COMBINED BALANCE SHEET**

February 29, 2004

	_	GOVER FUNI General		PES	. —	PROPRIETAR FUND TYPE	Υ 	FIDUCIARY FUND TYPES Trust &		ACCOUNT GROUP General		Totals
		Generai Fund		Special Revenue		Enterprise Fund		Agency Fund		Long-Term Debt	(M	lemorandum) Only)
ASSETS:												Only
Cash and equivalents	\$	12,941	\$	17,116	\$	3,481	\$	24,925	\$	_	\$	58,463
Taxes receivable		4,831		· -		´ <b>-</b>			•	-	Ψ	4,831
Accounts receivable		3,729		-		8,033		-		-		11,762
Special assessments receivable		-		-		96,044		-		_		96,044
Due from other governmental	uni	,		17,746		-		_		-		23,727
Due from other funds		110,323		19,562		-		-		-		129,885
Restricted assets - Cash		-		-		5,725		-		-		5,725
Property, plant, and equipment, no	et	-		-		757,068		-		-		757,068
Amount to be provided for retirement of long-term debt	t	_		_		_				46,430		46 420
Total assets	<u> </u>	137,805	<u> </u>	54,424	\$	870,351	\$	24,925	\$	46,430	•	46,430
	_				Ψ	070,551	Ψ	27,923	Φ	40,430	Þ	1,133,935
LIABILITIES AND FUND EQUITY:												
Liabilities:												
Accounts payable	\$	443	\$	3,260	\$	127	\$	-	\$	_	\$	3,830
Accrued expense		-		´ -		8,509	•	_	Ψ	_	Ψ	8,509
Due to other governmental						,						0,505
units		4,854		3,313		6,683		-		_		14,850
Due to other funds		-		18,405		86,555		24,925		-		129,885
Loans payable						378,373		,				378,373
Installment purchase contrac	ts											,
payable		-		_		-				46,430		46,430
Total liabilities		5,297		24,978		480,247		24,925		46,430		581,877
Fund Equity:												
Contributed capital		_		_		358,560						250.560
Retained Earnings:		-		-		336,300		-		-		358,560
Reserved		_		_		5,725						E 705
Unreserved – Undesignated	d	_				25,819		-		-		5,725
Fund Balance:	•					23,017		-		-		25,819
Unreserved – Undesignated	d	132,508		29,446		_		-		-		161,954
Total fund equity		132,508		29,446		390,104		-		-		552,058
Total liabilities and											• • • •	
	\$	137,805	\$	54,424	\$	870,351	\$	24,925	\$	46,430	\$ 1	,133,935
_												

### ALL GOVERNMENTAL FUND TYPES

# COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended February 29, 2004

		GOVEF FUN	NME. D TYF	· · - · · · -		Totals
	_	Genera		Special Revenue	(M	emorandum Only)
REVENUES:						
Property taxes Licenses and fees Intergovernmental:	\$	31,888 841	\$	-	\$	31,888 841
Federal grants State grants		-		30,000		30,000
Contributions from local units		22,300		24,457		46,757
Charges for services		7 145		10,594		10,594
Fines and forfeitures		7,145 241		-		7,145
Interest and rentals		5,955		100		241
Other revenue		11,735		5,320		6,055 17,055
Total revenues		80,105		70,471		150,576
EXPENDITURES:						
General government		9,302				0.202
Public safety		7,502		8,095		9,302 8,095
Public works		11,507		48,714		60,221
Community and economic development		192		-		192
Other		6,099		-		6,099
Capital outlay		34,970		40,069		75,039
Debt Service:						•
Principal Interest		4,505		3,409		7,914
		1,202		798		2,000
Total expenditures		67,777		101,085		168,862
Excess of revenues over (under) expenditures		12,328		(30,614)		(18,286)
OTHER FINANCING SOURCES (USES):						
Installment purchase debt proceeds		23,930		-		23,930
Transfer from other funds Transfer to other funds		-		5,202		5,202
		(9,600)		(5,202)		(14,802)
Total other financing sources (uses)		14,330				14,330
Excess of revenues and other sources over (under) expenditures and other financing sources (uses)		26,658		(30,614)		(3,956)
Fund balances, beginning of year, as restated		105,850		60,060		165,910
Fund balances, end of year	\$	132,508	\$	29,446	\$	161,954
				40	-	,

### GENERAL AND SPECIAL REVENUE FUNDS

# COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

For the Year Ended February 29, 2004

		GE1	VERAL FU	INL	)	_	SPECIA	L REVENUE	FUNDS
	Budget		Actual		Variance Favorable Infavorable	2)	Budget		Variance Favorable Infavorable)
REVENUES:	<u>~</u>				.,	<del>/</del>	Duager	neiuai [	Jiljavorabie)
Taxes Licenses and fees Intergovernmental:	\$	- \$ -	31,888 841		31,888 841	\$	-	\$	\$ -
Federal grants State grants Contributions from local units		- -	22,300		22,300		-	30,000 24,457 10,594	30,000 24,457 10,594
Charges for services Fines and forfeitures Interest and rentals		-	7,145 241 5,955		7,145 241		<u>-</u> -	-	-
Other revenue		- -	11,735		5,955 11,735		-	100 5,320	100 5,320
Total revenues		_	80,105		80,105		-	70,471	70,471
EXPENDITURES:									
General government Public safety	9,415	5	9,302		113		12.040	-	
Public works	11,975	5	11,507		468		12,948 26,955	8,095 48,714	4,853 (21,759)
Community and economic development	200	)	192		8		-	-0,71-	(21,/39)
Other Capital outlay Debt Service:	6,200		6,099 34,970		101 (34,970)		-	40,069	- (40,069)
Principal Interest	-		4,505 1,202		(4,505) (1,202)		<u>-</u> -	3,409 798	(3,409) (798)
Total expenditures	27,790		67,777		(39,987)		39,903	101,085	(61,182)
Excess of revenues over (under) expenditures	(27,790	)	12,328		40,118		(39,903)	(30,614)	9,289
OTHER FINANCING SOURCES (USES):									
Installment purchase debt proceeds Transfer from other funds	-		23,930		23,930		5,202	5,202	-
Transfer to other funds	(9,600)		(9,600)		-		(5,202)	(5,202)	-
Total other financing sources (uses	(9,600)		14,330		23,930		-	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(37,390)		26,658		64,048		(39,903)	(30,614)	9,289
Fund balances, beginning of year, as restated	105,850		105,850		-		60,060	60,060	-
Fund balances, end of year	\$ 68,460	\$	132,508	\$	64,048	\$	20,157 \$	· · · · · · · · · · · · · · · · · · ·	9,289
								,	,,20

### PROPRIETARY FUND TYPES

# COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended February 29, 2004

OPERATING REVENUES: Charges for services Total operating revenues  OPERATING EXPENSES: Personnel Fringe benefits Supplies Contracted and professional services Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest on special assessments Total non-operating revenues (expenses)  Net income (loss) before operating transfers OPERATING TRANSFERS: Transfer from other funds Total operating fransfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers OPERATING TRANSFERS: Transfer from other funds Total operating transfers OPERATING TRANSFERS: Transfer from other funds Total operating transfers				Enterprise Fund
Total operating revenues 2  OPERATING EXPENSES: Personnel Fringe benefits Supplies Contracted and professional services Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation 21  Total operating expenses 444 Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest expense Interest expense Interest on special assessments 62  Total non-operating transfers (34, 44) OPERATING TRANSFERS: Transfer from other funds 9, Total operating transfers 9, Total opera	_	OPERATING REVENUES:	_	1 unu
Total operating revenues   2.2		Charges for services	\$	24,913
OPERATING EXPENSES:  Personnel Fringe benefits Supplies Contracted and professional services Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation Total operating expenses Anterest income Interest expense Interest on special assessments Total non-operating revenues (expenses) Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  Personnel  2		Total operating revenues	<u>-</u>	24,913
Fringe benefits Supplies Contracted and professional services Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest on special assessments Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  Net income (loss)  Total operating transfers  OPERATING TRANSFERS:  Transfer from other funds Total operating transfers		OPERATING EXPENSES:		
Supplies Contracted and professional services Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest on special assessments Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  9,  Net income (loss)  Net income (loss)  Yet income (loss)				6,948
Contracted and professional services Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest expense Interest on special assessments Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  Yet income (loss)  Total operating transfers  OPERATING TRANSFERS:  Transfer from other funds Total operating transfers  Net income (loss)	_			532
Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation Total operating expenses  Net income (loss) before operating transfers  Transfer from other funds Total operating transfers  Poperating transfers  Mit income (loss)  More income (loss) before operating transfers Total operating transfers  Poperating transfers  Mit income (loss) before operating transfers  Poperating transfers  Mit income (loss)				50
Mileage/auto Dues and memberships Repair and maintenance Insurance Utilities Equipment rental Other expenses Depreciation Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest expense Interest on special assessments Total non-operating revenues (expenses)  Net income (loss) before operating transfers  Transfer from other funds Total operating transfers  Yet income (loss)  Total operating transfers  Transfer from other funds Total operating transfers  Net income (loss)  Net income (loss)		Contracted and professional services		3,052
Repair and maintenance Insurance Utilities 2  Equipment rental 5  Other expenses 5  Depreciation 21  Total operating expenses 44  Net operating income (loss) (19)  NON-OPERATING REVENUES (EXPENSES):  Interest income Interest expense (22) Interest on special assessments 6  Total non-operating revenues (expenses) (15)  Net income (loss) before operating transfers (34, OPERATING TRANSFERS:  Transfer from other funds 9, Total operating transfers 9, Net income (loss) before operating transfers 9, Net income (loss) 6  Total operating transfers 9, Net income (loss) 6  Net income (loss) 6  Total operating transfers 9, Net income (loss) 6  Net income (loss) 6  Total operating transfers 9, Net income (loss) 6  Net income (loss) 6  Total operating transfers 9, Net income (loss) 6  Total operating				46
Insurance Utilities Equipment rental Other expenses Depreciation  Total operating expenses  Non-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest expense Interest on special assessments Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  Net income (loss)  Not income (loss)  Interest operating transfers  OPERATING TRANSFERS:  Transfer from other funds  John String Transfers  9,  Not income (loss)		Dues and memberships		175
Utilities Equipment rental Other expenses Depreciation  Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  9, Net income (loss)				2,505
Equipment rental Other expenses Depreciation  Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  9, Net income (loss)  Net income (loss)  Plat income (loss)  Net income (loss)				2,553
Other expenses Depreciation  Total operating expenses  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES): Interest income Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS: Transfer from other funds Total operating transfers  9, Not income (loss)  Not income (loss)	_			1,511
Depreciation  Total operating expenses  Add  Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES):  Interest income Interest expense Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds Total operating transfers  9,  Net income (loss)  Not income (loss)  Possible (1998)				5,276
Total operating expenses 44  Net operating income (loss) (19  NON-OPERATING REVENUES (EXPENSES):  Interest income Interest expense (22 Interest on special assessments 65  Total non-operating revenues (expenses) (15  Net income (loss) before operating transfers (34,  OPERATING TRANSFERS:  Transfer from other funds 9,  Total operating transfers 9,  Net income (loss)				381
Net operating income (loss)  NON-OPERATING REVENUES (EXPENSES):  Interest income Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  9,  Not income (loss)	_	•		21,030
NON-OPERATING REVENUES (EXPENSES):  Interest income Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  Net income (loss)  Net income (loss)		lotal operating expenses		44,059
Interest income Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  9,  Not income (loss)		Net operating income (loss)	<del></del>	(19,146)
Interest expense Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  9,  Not income (loss)	-	NON-OPERATING REVENUES (EXPENSES):		
Interest on special assessments  Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  9,  Not income (loss)				10
Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  9,  Not income (loss)				(22,069)
Total non-operating revenues (expenses)  Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  9,  Not income (loss)	_	Interest on special assessments		6,776
Net income (loss) before operating transfers  OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  Not income (loss) before operating transfers  (34,  9,  Total operating transfers		Total non-operating revenues (expenses)		(15,283)
OPERATING TRANSFERS:  Transfer from other funds  Total operating transfers  9,  Not income (loss)	_	Net income (loss) before operating transfers		(34,429)
Transfer from other funds  Total operating transfers  9,  Not income (loss)		OPERATING TRANSFERS:		(- ', '->)
Total operating transfers  9,				9,600
Not income (love)	-	Total operating transfers	<del></del>	9,600
(74		Net income (loss)	···	(24,829)
Add: Dangaigtion on fined assets as it is it is a set of the set o	-	Add: Depreciation on fixed assets acquired with contributed capital		9,960
Ingrana (danasa) in makin 1				
Datained comings to situation of		· · · · · · · · · · · · · · · · · · ·		(14,869)
Petrinal anni di C	-			46,413
Retained earnings, end of year \$ 31,		Retained earnings, end of year	\$	31,544

### PROPRIETARY FUND TYPES

### STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2004

	j	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		runa
Cash received from customers	\$	20,204
Cash payments to employees for services and benefits	•	(7,480)
Cash payments to suppliers for goods and services		(21,937)
Net cash provided by (used for) operating activities		(9,213)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase in due to other funds		26,369
Operating transfers in		9,600
Net cash provided by (used for) non-capital financing activities		35,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Special assessments receivable collections		7,317
Interest on special assessments		6,776
Principal payments		(15,000)
Interest on debt		(22,069)
Net cash provided by (used for) capital and related financing activities		(22,976)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash equivalents		10
Net cash provided by (used for) investing activities		10
Net increase (decrease) in cash and cash equivalents		3,790
Cash and cash equivalents, beginning of year		5,416
Cash and cash equivalents, end of year	\$	9,206
	<u>Ψ</u>	7,200
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$	(19,146)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation expense		21,030
Increase in accounts receivable  Decrease in accounts payable		(4,709)
Decrease in accrued liabilities		(5,958)
Net cash provided by operating activities	<u> </u>	(430)
2.44 and provided by operating activities	\$	(9,213)

### NOTES TO FINANCIAL STATEMENTS

February 29, 2004

### NOTE 1: DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES

Village of Twining is located in Arenac County and provides services to approximately 169 residents in many areas including public safety, highways and streets, general administrative services, and community enrichment and development. The Village is a home rule village incorporated under *Public Act 278 of 1909*. The Village is governed by a five member council elected by the citizens and the president of the Village, all of whom reside in the community.

#### REPORTING ENTITY:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Council (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the Village (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Village.

#### **JOINT VENTURE:**

The Village participates in the "Twining Mason Turner Fire Authority," a joint venture with the Townships of Mason and Turner. The Authority was established on October 31, 2003 in accordance with state law 1988 P.A. 57 for the purpose of forming a joint fire board for uniform and orderly control of fire protection, fire department functions (including vehicle purchase and insurance coverage), and financing within the territorial limits of the Village of Twining and the Townships of Mason and Turner.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **BASIS OF PRESENTATION:**

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village are recorded in separate funds and accounting groups, categorized as follows:

#### **GOVERNMENTAL FUNDS:**

General Fund: This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, state revenue sharing distributions, and permits to provide for the administration and operation of: (1) general Village governmental departments; (2) public works; and (3) public safety. The fund includes the general operating expenditures of the local unit.

### NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Special Revenue Funds:** These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, general fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

#### PROPRIETARY FUNDS:

Enterprise Funds: These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Sewer Fund is the only enterprise fund of the Village.

#### FIDUCIARY FUNDS:

**Trust and Agency Funds:** Trust and agency funds are used to account for the assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The Current Tax Collection Fund is the only agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

#### **ACCOUNT GROUPS:**

General Long-Term Debt Account Group: This account group presents the balance of general obligation long-term debt which is not recorded in proprietary or trust funds.

#### MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

#### **GOVERNMENTAL FUNDS:**

Village governmental funds (general and special revenue funds) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when due.

February 29, 2004

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### **PROPRIETY FUNDS:**

The propriety fund type (sewer fund) is accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenditures are recorded when the related liability is incurred. The government applies all applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in accounting and reporting for its proprietary operations. The Sewer Fund (enterprise fund) is the only propriety fund type.

#### FIDUCIARY FUNDS:

The fiduciary funds are maintained on a cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles. The Current Tax Collection Fund is the only agency fund.

### CASH, CASH EQUIVALENTS AND INVESTMENTS:

For purposes of the statement of cash flows, demand deposits and certificates of deposits with a maturity of three moths or less, when acquired, are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Investments, if any, are stated at fair value. The Village, currently, has no investments.

#### **PROPERTY TAXES:**

The Village's 2003 ad valorem tax is levied and collectible on July 1, 2003. It is the Village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the Village operations. Property taxes are recognized when levied since the county purchases the delinquent taxes each year.

The 2003 property tax levy was based on a taxable assed valuation of \$2,235,819. The 2003 Village tax rate was 14.1685 mills for general operations.

Any uncollected real property taxes, which become delinquent March 1<sup>st</sup>, are purchased by Arenac County and paid to the Village by June 1<sup>st</sup> of each year.

#### SEWER SPECIAL ASSESSMENTS RECEIVABLE:

A special assessment was assessed to each applicable parcel in the Village for the construction of a sewer system within the Village limits. The assessment is used to pay the sewer debt. The special assessment receivable at February 29, 2004 was \$96,044. There is also an interest charge that accrues at a rate of 7% on the unpaid balance of the remaining assessment. Collections for special assessments and interest on the special assessments have been reported as a reduction to the sewer assessment receivable and interest earned on special assessment.

### NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### FIXED ASSETS AND DEPRECIATION:

Fixed assets are stated at historical cost or estimated historical cost if actual cost is not available. donated fixed assets are valued at their estimated fair value on the date donated.

Public domain, infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs and gutters are not capitalized. The Village of Twining has not maintained records of general fixed assets for its governmental funds as required by generally accepted accounting principles. Fixed asset purchases of the Village's governmental funds are recorded as capital outlay expenditures at the time of purchase.

The Sewer Fund's (enterprise fund) fixed assets are stated at cost at the date of purchase or fair market value if assets were donated. Costs relating to maintenance and repairs are charged to expenses, whereas those for renewals and betterments, when significant in amount, are capitalized. The sewer system assets are depreciated using the straight-line method. The estimated useful life of the sewer system is 50 years. For the fiscal year ended February 29, 2004, the depreciation expense was \$21,030.

#### OTHER FINANCING SOURCES (USES):

The transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

#### **USE OF ESTIMATES:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW:

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

### NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

#### **NOTE 3: LEGAL COMPLIANCE**

#### **BUDGETS AND BUDGETARY ACCOUNTING:**

The annual budget is prepared by the Village Clerk and adopted by the Village Council at the annual public hearing. All subsequent amendments to the budget are approved by the Village Council. The expenditures for the general fund and special revenue funds are under formal budgetary control. Revenues and beginning and ending fund balances have not been included in the budget as required by *Public Act 621 of 1978*. The budget for the expenditures is prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles.

Unfavorable expenditure budget variances are as follows:

	 Budget			Unfavorable Variance	
General Fund: Capital Outlay Debt Service	\$ -	\$	34,970 5,707	\$	34,970 5,707
Special Revenue Funds: Public Works Capital Outlay Debt Service	26,955 - -		48,714 40,069 4,207		21,759 40,069 4,207

### UNDER ASSESSMENT OF LEVIES FOR RETIREMENT OF SEWER DEBT:

Special assessments collections plus an annual \$9,600 transfer from the General Fund are to be used to make the annual sewer debt payment. Currently these revenues are insufficient to fully cover the debt payments. As a result, other operating revenues are being used to pay part of the annual debt service payment. Sources for future funding of the shortfall are unknown.

### NONCOMPLIANCE WITH THE UNIFORM CHART OF ACCOUNTS:

The Village has failed to establish and maintain the Uniform Chart of Accounts in a formal accounting system in accordance with *Public Act 2 of 1968*. The classification of accounts for Michigan local units of government has been developed by the Michigan Department of Treasury, Local Audit and Finance Division under the authority of *Public Act 2 of 1968*, as amended, and *Public Act 71 of 1919*, as amended.

### NONCOMPLIANCE WITH THE INVESTMENT POLICY:

The Village has failed to adopt an investment policy in accordance with Public Act 20 of 1943, as amended (MCL 129.95).

### NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 3: LEGAL COMPLIANCE, continued

### NONCOMPLIANCE WITH STATE SCHEDULE C RENTAL RATES:

The Village has used some equipment rental rates that were higher than the rates approved by Schedule C.

### NONCOMPLIANCE WITH PAYROLL TAX REPORTING REQUIREMENTS:

Payroll paid has not been agreed to forms 941 and W-2 submitted to the IRS.

#### **ACCUMULATED FUND DEFICITS:**

The Village had no accumulated fund balance deficits at February 29, 2004:

### NOTE 4: BALANCE SHEET CASH AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the local unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banks' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposits of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits for the Village are at one bank in the name of the Village treasurer. The Village does not invest funds and has not adopted an investment policy in accordance with *Public Act 196 of 1997*. The Village's deposits are in accordance with statutory authority.

### NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

### NOTE 4: BALANCE SHEET CASH AND INVESTMENTS, continued

The Governmental Accounting Standards Council (GASB) Statement No. 3, risk disclosures for the Village's cash deposits are as follows:

	GENERAL GOVERNMENT						
Deposits	Carrying Amount	E	Bank Balance				
Insured (FDIC)	\$ 64,188	\$	50,518				
Total Deposits	\$ 64,188	\$	50,518				

As of February 29, 2004, the Village had \$ 5,725 in a separate account for the purpose of paying the sewer debt. The balance sheet shows the cash as restricted and the retained earnings as restricted.

# NOTE 5: ENTERPRISE FUND FIXED ASSETS AND CONTRIBUTED CAPITAL

A summary of proprietary fund type (sewer) fixed assets at February 29, 2004 follows:

	Purchased with Village Funds			Purchased vith Capital Grants	Total	
Sewer System Less: Accumulated Depreciation	\$	553,488 (154,980)	\$	498,000 (139,440)	\$ 1,051,488 (294,420)	
Net Sewer System	\$	398,508	\$	358,560	\$ 757,068	

### NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

### NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 110,323	Major Street Local Street Liquor Law Sewer Tax	\$ 1,318 5,227 298 78,555 24,925
		Subtotal	110,323
Major Street	7,000	Sewer	7,000
		Subtotal	7,000
Local Streets	12,562	Major Street Sewer	11,562 1,000
	A1	Subtotal	12,562
Total	<u>\$ 129,885</u>		<u>\$ 129,885</u>

### NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### **NOTE 7: LONG-TERM DEBT**

The individual fund long-term debt and other general long-term debt obligations of the Village, and the changes therein, may be summarized as follows:

Enterprise Fund Long-Term Debt:	_	Balance 3/1/03	 (dditions eductions)	 Balance 2/29/04
Sewer Fund:				
October 1989 Twining Sanitary Drain Contract Payable to Arenac County 6%	\$	383,000	\$ (15,000)	\$ 368,000
May 1992 Twining Sanitary Drain Supplemental Loan to Arenac County 6%		10,373	-	10,373
Total Enterprise Fund Long-Term Debt		393,373	 (15,000)	378,373
General Long-Term Debt Account Group:				
June 2003 Contract Payable 7.90% – Tractor		-	20,324	20,324
May 2002 Contract Payable 7.90% - Lawn mower		2,943	(899)	2,044
June 2001 Contract Payable 5.45% - Fire Truck		15,263	(5,860)	9,403
June 1999 Contract Payable 4.87% – Tanker Truck		15,706	 (1,047)	 14,659
Total General Long-Term Debt		33,912	 12,518	 46,430
Total Long-Term Debt Outstanding at February 29, 2004	\$	427,285	\$ (2,482)	\$ 424,803

February 29, 2004

#### NOTE 7: LONG-TERM DEBT, continued

The annual principal and interest requirements through maturity for all debt outstanding as of February 29, 2004 are as follows:

#### **Contract Payable – Sewer Fund:**

On October 9, 1989, the Twining Sanitary Drain Drainage District, County of Arenac, issued \$532,000 in bonds for the purpose of constructing the Twining Sanitary Drain. The Village of Twining has agreed to repay the bonds from the collection of special assessments and 6 mills of general fund tax revenues. The bonds bear interest at the rate of 6% per annum payable semi-annually beginning May 1, 1990. The following is a schedule of outstanding principal and interest on the bonds:

		st Due 1y 1	erest Due vember 1		incipal Due ovember 1		Annual Payment
2004	\$ 1	10,845	\$ 10,845	\$	15,000	\$	36,690
2005	1	10,380	10,380	•	16,000	Ψ	36,760
2006		9,885	9,885		17,000		36,770
2007		9,360	9,360		18,000		36,720
2008		8,790	8,790		20,000		37,580
2009		8,190	8,190		20,000		36,380
2010		7,560	7,560		22,000		37,120
2011		6,885	6,885		23,000		36,770
2012		6,180	6,180		24,000		36,360
2013		5,430	5,430		26,000		36,860
2014		4,635	4,635		27,000		36,270
2015		3,795	3,795		29,000		36,590
2016		2,895	2,895		31,000		36,790
2017		1,980	1,980		30,000		33,960
2018		1,065	1,065		31,000		33,130
2019		300	 300		19,000		19,600
Total	\$ 9	8,175	\$ 98,175	\$	368,000	\$	564,350

#### Loan Payable - Sewer Fund:

On May 18, 1992, the Twining Sanitary Drain Drainage District obtained a loan from the County of Arenac in the amount of \$30,000. The Village of Twining has agreed to repay the loan in seven annual payments beginning October 1, 1992 with interest at the rate of 6% per annum. As of February 29, 2004, \$10,373 of the loan principal remained outstanding (past due) as follows:

	rincipal Imount	nterest mount	 Annual Total
1997	\$ 4,873	\$ -	\$ 4,876
1998	5,500	-	5,500
1999	-	593	593
2000	 	 686	 686
Total	\$ 10,373	\$ 1,279	\$ 11,652

February 29, 2004

#### NOTE 7: LONG-TERM DEBT, continued

#### **Installment Purchase Contract - Tractor:**

On June 20, 2003 the Village of Twining obtained an installment purchase contract with John Deere Credit. The contract is for the purchase of a JD 4710 tractor with attachments in the amount of \$23,930.25. The contract is to be financed for a term of 3 years at a fixed rate of interest of 7.90% with semi-annual payments of \$4,567.30.

Fiscal Year Ended	Pri	Principal Due			Annual Payment		
2005 2006 2007	\$	7,653 8,280 4,391	\$	1,482 855 176	\$	9,135 9,135 4,567	
Total	\$	20,324	\$	2,513	\$	22,837	

### Installment Purchase Contract - Lawn mower:

On May 22, 2002, the Village of Twining entered into as installment purchase contract. The contract is for the purchase of a lawn mower in the amount of \$4,082 with a down payment of \$1,140 and the balance to be financed for a term of 3 years at a fixed rate of interest of 7.90% with annual payments of \$1,139.75.

Fiscal Year Ended	Prin	Inter	rest Due	Annual Payment		
2005 2006	\$	972 1,071	\$	168 69	\$	1,140 1,140
Total	\$	2,043	\$	237	\$	2,280

February 29, 2004

#### NOTE 7: LONG-TERM DEBT, continued

#### **Installment Purchase Contract – Fire Truck:**

On May 8, 1995, the Village obtained a loan from the State Bank of Standish in the amount of \$50,000 for the remaining portion owed on a fire truck after a down payment of \$16,300. Eleven semi-annual payments with an interest rate of 6.35% per annum began October 10, 1995. On June 21, 2001, this loan was refinanced through Citizens Bank for \$23,484. The new loan calls for eight payments of \$3,307 with an interest rate of 5.45% per annum beginning on December 21, 2001. As of February 29, 2004, \$9,403 of the principal remained outstanding as follows:

	Principal Amount		terest nount	Annual Total		
2004 2005	\$	6,184 3,219	\$ 429 88	\$	6,613 3,307	
Total	\$	9,403	\$ 517	\$	9,920	

This debt has been assumed by the Fire Authority. During the fiscal year the Authority paid \$2,969 of principal and \$337 of interest on this debt.

### **Installment Purchase Contract – Fire Truck:**

On June 17, 1999, the Village of Twining obtained a loan from Citizens Bank. The loan is for the purchase of a 1975 AMC Tanker Truck in the amount of \$32,000 with a down payment of \$13,000 and the balance to be financed for a term not exceeding 15 years at a fixed rate of interest of 4.86% with semi-annual payments of \$899.93.

Fiscal Year Ended	Pri	ncipal Due	Inte	erest Due	Annual Payment		
2005	\$	1,099	\$	701	\$	1,800	
2006		1,154	_	646	•	1,800	
2007		1,210		590		1,800	
2008		1,270		530		1,800	
2009		1,333		467		1,800	
2010		1,398		402		1,800	
2011		1,467		333		1,800	
2012		1,539		261		1,800	
2013		1,615		185		1,800	
2014		1,695		105		1,800	
2015		878		22		900	
Total	\$	14,658	\$	4,242	\$	18,900	

This debt has been assumed by the Fire Authority. During the fiscal year the Authority paid \$530 of principal and \$370 of interest on this debt.

### NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### **NOTE 8: RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has purchased commercial insurance to cover general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### NOTE 9: TRANSFERS IN/TRANSFERS (OUT)

The 2004 operating transfers for all funds are summarized as follows:

Fund	Transfers In	Fund	Transfers (Out)
Sewer Fund Local Streets Fund Fire Fund Total	\$ 9,600 4,642 560 \$ 14,802	General Fund Major Streets Fund Fire Equipment Fund	\$ 9,600 4,642 560 \$ 14,802

### NOTE 10: POST-EMPLOYMENT BENEFITS

The Village does not provide post-employment benefits.

#### **NOTE 11: GOING CONCERN**

Untimely billings for services rendered, insufficient sewer assessments, and an inability to meet debt requirements has created a going concern issue. Management plans to seek additional grants from the State of Michigan to assist in the payment of the debt.

#### **NOTE 13: ACT 51 REVENUES**

As of February 29, 2004 the Village has nine (9) months of *State Act 51* revenues receivable from the State Department of Transportation. The State is holding up distribution of the monies until the filing of the annual *Act 51* report is completed by the Village.

The Village will receive \$13,967 of *Act 51* monies for the Major Street Fund and \$3,779 for the Local Street Fund once the funds are released by the State. These amounts have been recognized as receivables as of February 29, 2004.

### NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

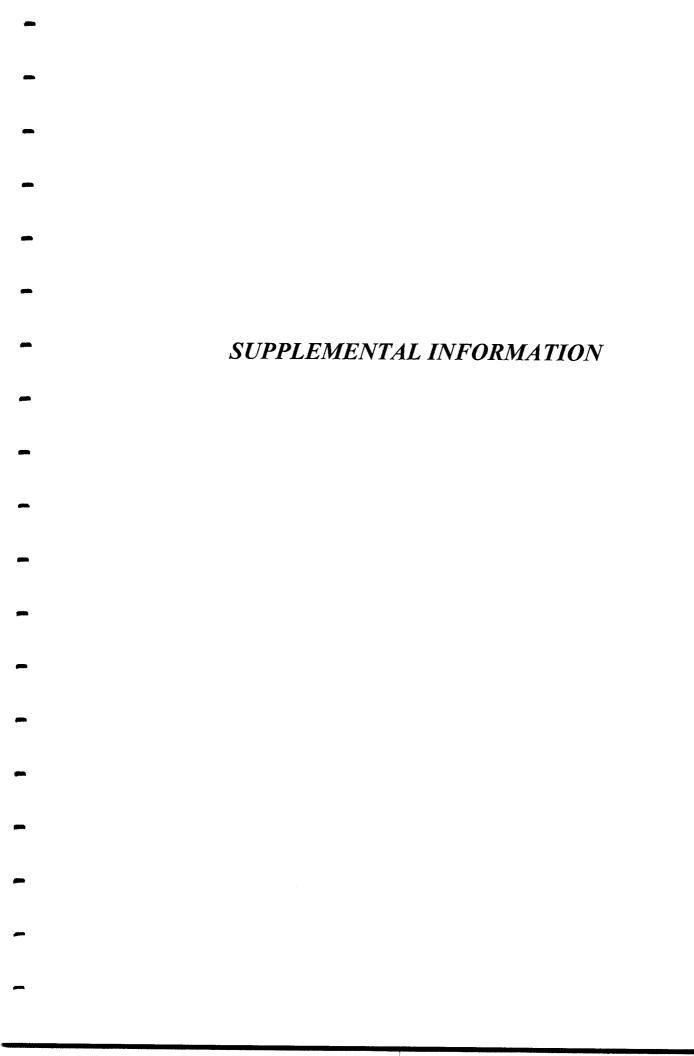
### NOTE 14: RESTATEMENTS OF BEGINNING FUND BALANCES/ RETAINED EARNINGS

Prior period adjustments were made as follows:

#### **Error corrections:**

The Village received a large distribution from the State of Michigan for Act 51 funds that had been withheld for non-compliance. This amount and the associated transfer from Major Streets to Local Streets have been recorded as a prior period adjustment. There has also been an adjustment made for fees that were due to the State of Michigan for a prior year audit.

Governmental Funds:		General Fund		Fire Fund		Major Streets	····	Local Streets
Beginning fund balance, as previously stated	\$	107,318	\$	815	\$	12,028	\$	(3,345)
Prior period adjustments: Recognition of Act 51 distributions received from the state for the periods ending June 30, 2001 through February 28, 2003		-		-		30,461		8,283
Recognition of 25% transfer from Major Streets to Local Streets associated with the above distributions received.		-		-		(7,690)		7,690
Record audit fees due to the State not recorded in prior years		(1,468)		(238)	-	(585)		(390)
Beginning fund balance, as restated	<u>\$</u>	105,850	\$	577	\$	34,214	\$	12,238
Proprietary Fund:					<u>Se</u>	wer Fund		
Beginning fund balance, as previously stated					\$	48,606		
Prior period adjustments:								
Record audit fees due to the State not recorded in prior years					(2,193)			
Beginning fund balance, as restated					\$	46,413		



GENERAL FUND

### GENERAL FUND

### STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended February 29, 2004

REVENUES:	
Current Taxes:	
Property taxes	\$ 31,569
Property tax administration fee	319
	31,888
Licenses and Fees:	
CATV Franchise fees	841
	841
State Grants:	
State revenue sharing	22,300
	22,300
Charges for Services:	
Refuse collection fees	6,885
Charges for services – other	260
	7,145
Fines and Forfeitures:	
Ordinance fines – mowing	241
	241
Interest and Rents:	
Interest earned	29
Rents	5,926
	5,955
Other Revenue:	<del></del>
Sale of assets	10,000
Reimbursements	1,405
Refunds and Rebates	330
	11,735
Total revenues	80,105
OTHER FINANCING SOURCES:	
Proceeds from installment purchase contract	23,930
Total other financing sources	23,930
Total other financing sources	23,930
Total revenues and other financing sources	\$ 104,035

### GENERAL FUND

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended February 29, 2004

### **EXPENDITURES:**

### General Government:

Council:	
Personnel	\$ 1,200
Supplies	450
Dues and memberships	318
Printing and publications	222
Clerk:	2,190
Personnel	
	1,225
Audit:	1,225
Contracted services	2.205
	2,295
T	2,295
Treasurer:	
Personnel	1,125
Supplies	12
D dr. 10	1,137
Building and Grounds: Personnel	
	945
Supplies	353
Water hydrants	199
Repairs and maintenance	958
	2,455
Total general government	9,302

### GENERAL FUND

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

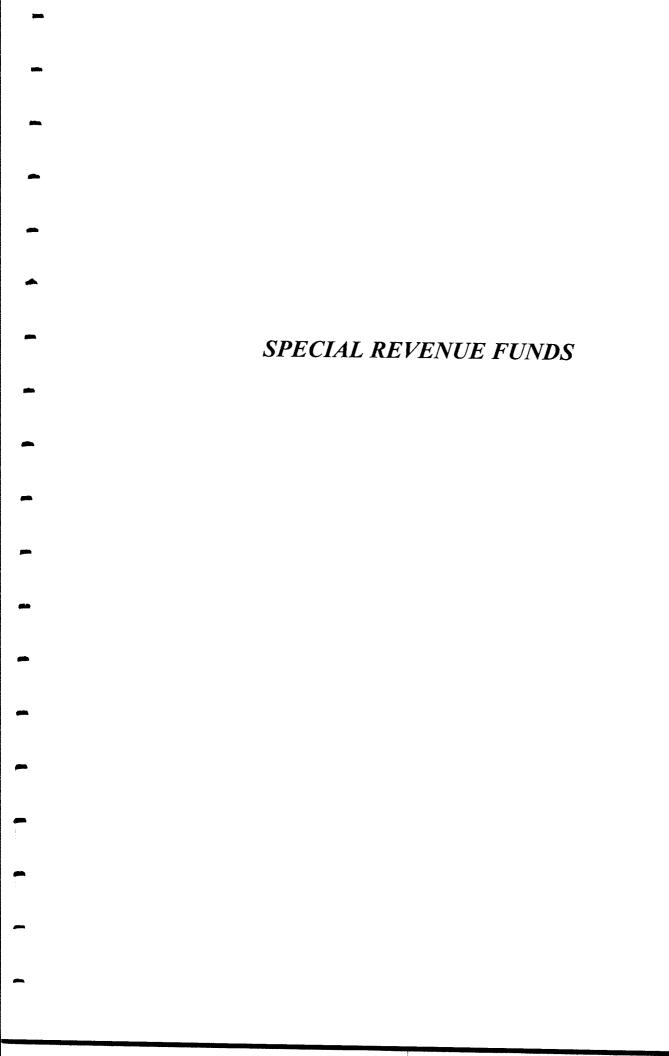
EXPENDITURES, continued	
Public Works:	
Department of Public Works:	
Repairs and maintenance	
Drains: Contracted services	
Contracted services	1
	1
Street Lighting:	
Utilities	_
	5
	5
Refuse:	
Contracted services	3
	3
Total public works	11,
Community and Economic Development:	
Economic and Industrial Development:	
Contracted services	
Total community and economic development	
Other:	
Insurance and Bonds:	
Insurance	5,9
	5,9
Payroll Taxes:	
Fringe benefits	1
	1
Total other	
- ···· <del>· ···</del>	6,0

### GENERAL FUND

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

EXPENDITURES, continued	
Capital Outlay:	
Pubic Works:	
Department of Public Works	34,970
	34,970
Total capital outlay	34,970
Debt Service:	
Principal Interest	4,505 1,202
	5,707
Total expenditures	67,777
OTHER FINANCING USES:	
Transfers to other funds	0.600
Total other financing uses	9,600
Total expenditures and other financing uses	\$ 77.377



### SPECIAL REVENUE FUNDS

### **COMBINING BALANCE SHEET**

February 29, 2004

		Major Streets Fund	 Local Streets Fund	 Fire Fund		E	Fire quipment	quor Law forcement	CDBG Housing	 Total
ASSETS:										
Cash and equivalents Due from other	\$	8,326	\$ 31	\$	-	\$	-	\$ 995	\$ 7,764	\$ 17,116
governmental units Due from other funds		13,967 7,000	3,779 12,562		-		-	-	-	17,746 19,562
Total assets	\$	29,293	\$ 16,372	\$	-	\$	-	\$ 995	\$ 7,764	\$ 54,424
LIABILITIES AND FUND EQUITY:										
Liabilities: Accounts payable Due to other	\$	-	\$ 3,260	\$	-	\$	-	\$ -	\$ -	\$ 3,260
governmental units Due to other funds	S 	1,782 12,880	1,187 5,227		-		<i>-</i>	344 298	-	3,313 18,405
Total liabilities		14,662	 9,674		-		-	642		 24,978
Fund Equity: Fund Balance: Unreserved – Undesignated		14,631	6,698		_		_	353	7,764	29,446
Total fund equity		14,631	 6,698		_		_	 353	 7,764	 29,446
Total liabilities and fund equity	\$	29,293	\$ 16,372	\$	-	\$	_	\$ 	\$	\$ 54,424

### SPECIAL REVENUE FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended February 29, 2004

	Major Streets Fund	Local Streets Fund	Fire Fund	Fire Equipment	Liquor Law Enforcement	CDBG Housing	Total
<b>REVENUES:</b>						<u> </u>	
Intergovernmental: Federal grants State grants Contributions from	\$ - 18,570	\$ - 4,939	\$ 30,000	\$ - -	\$ - 948	\$ - 5	\$ 30,000 24,457
Townships Charges for services – fire runs	-	-	10,594	-	-	-	10,594
Interest and rentals Donations	76 -	6	5,320	17	ī	-	100
Total revenue	18,646	4,945	45,914	17	949	<del>-</del>	5,320
EXPENDITURES			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	17			70,471
Public safety			7.000				
Public works	33,587	15,127	7,220	-	875	-	8,095
Capital outlay	-	-	40,069	-	-	-	48,714 40,069
Debt Service: Principal	-	-	-	3,409	_	_	3,409
Interest			<del>-</del>	798	-	-	798
Total expenditures	33,587	15,127	47,289	4,207	875	-	101,085
Excess of revenues over (under) expenditures	(14,941)	(10,182)	(1,375)	(4,190)	74	-	(30,614)
OTHER FINANCING SOURCES (USES):	,						
Transfer from other funds Transfer to other funds	(4,642)	4,642	560	(560)	-	-	5,202 (5,202)
Total other financing					·		(3,202)
sources (uses)	(4,642)	4,642	560	(560)	-	_	-
Excess of revenues and other financing sources over (under) expenditures and other financing							
sources (uses)	(19,583)	(5,540)	(815)	(4,750)	74	-	(30,614)
Fund Balances, beginning of year	34,214	12,238	815	4,750	279	7,764	60,060
Fund Balances, end of year	\$ 14,631	\$ 6,698 5	\$ - :		\$ 353 \$		29,446
•	····						,.,0

### AGENCY FUNDS

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended February 29, 2004

	Balance 2/28/03		Additions		De	eductions	Balance 2/29/04		
TAX COLLECTION FUND									
ASSETS:									
Cash Due from other funds	\$	28,400	\$	27,234	\$	30,709	\$	24,925 -	
Total assets	\$	28,400	\$	27,234	\$	30,709	\$	24,925	
LIABILITIES:									
Due to other funds	\$	28,400	\$	27,234	\$	30,709	\$	24,925	
Total liabilities	\$	28,400	\$	27,234	\$	30,709	\$	24,925	



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July 8, 2004

Members of the Village Council Village of Twining Twining, Michigan

RE: Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the Village of Twining as of and for the year ended February 29, 2004, and have issued our report thereon dated July 8, 2004. The financial statements referred to above do not include the general fixed asset account group which should be included in order to conform to U.S. generally accepted accounting principles. The cost value of the Village's general fixed asset account group is not known. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits as contained in the Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance – As part of obtaining reasonable assurance about whether the Village of Twining's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the Village of Twining's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Twining's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Three reportable conditions are fully described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted matters involving the internal control system and its operation that we consider to

RE: Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards – Page 2

be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Village of Twining for the year ended February 29, 2004. These material weaknesses are more fully described in the Schedule of Findings and Questioned Costs section of this audit report.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Berthiaume & Company

Berthiaume of Co.

Saginaw, MI

July 8, 2004



### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended February 29, 2004

#### I. SUMMARY OF AUDIT RESULTS

- 1. The auditors' report expresses a qualified opinion because of the lack of a General Fixed Asset Group of Accounts being presented in the General Purpose Financial Statements.
- 2. Reportable conditions were disclosed by the audit of the general purpose financial statements. These are material weaknesses.
- 3. Instances of noncompliance material to the general purpose financial statements are disclosed.
- 4. The Federal award program tested for compliance was the U.S. Department of Agriculture Water and Waste Disposal System for Rural Communities, CFDA No. 10.418.

#### II. FINDINGS - FINANCIAL STATEMENT AUDIT/INTERNAL CONTROL

#### 1. Inadequate bookkeeping records/procedures:

Condition: The Village does not use or maintain a General Ledger. The Village

only uses a Cash Receipts Journal and a Cash Disbursements Journal.

These journals do not include all the transactions because of errors of omission. The journal activity is not reconciled to the bank cash account

balances each month.

There were no bank reconciliations prepared. The clerk's accounting records/journals were not reconciled to the treasurer's transactions/

balances of cash.

The State's Uniform Chart of Accounts is not used.

Criteria: Good internal control requires that these basic bookkeeping records/

procedures be done on a timely and consistent basis. State law requires

the use of these basic records and the Chart of Accounts.

Effect: Accurate financial reports cannot be produced in the proper format.

Recommendation: The clerk's journals need to be more accurately maintained. A General

Ledger and the Uniform Chart of Accounts should be used.

Accurate bank account balances must be maintained by both the clerk and treasurer. The two balances must be agreed at the end of each

month.

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

For the Year Ended February 29, 2004

#### 2. Budget:

Condition:

The budget for the year was approved in March 2003 - after the fiscal

year started.

Criteria:

State law requires that the annual budget be adopted before the year

starts. The law requires that actual expenditures cannot exceed the

budget.

Effect:

Expenditures in excess of budgeted amounts could result in deficit fund

balance situations and related financial difficulties.

Recommendation:

The Village should adopt an accurate budget before the year starts and

maintain and amend the budget during the year.

#### 3. Other Items:

Condition:

Various other items were noted as follows:

A) The Sewer Special Assessments Receivable records are not being maintained accurately.

B) Payroll paid was not fully/correctly reported on W-2's and 941 forms submitted to the IRS.

C) Some equipment rental charges to the various funds (Major, Local, Sewer) were based on incorrect rental rates.

D) Employee time and equipment usage time sheets do not indicate supervisor approval.

Criteria:

A) The detail Special Assessment Receivable records need to be in agreement with a control balance so that all collections can be accounted for.

B) Payroll transactions must be accurately reported to the IRS.

C) Equipment rental rates are set forth in the State Schedule C publication. These rates represent the maximum amount that can be charged to the street funds for equipment usage.

D) Time cards and related equipment use records should be approved by a supervisor.

*Effect:* 

A) The Special Assessments Receivable balance could be misstated.

B) Incorrect payroll reports to the IRS could make the Village responsible for under withheld or under paid taxes.

C) The State Department of Transportation could require the Village Major and Local Street Funds to be reimbursed for incorrect equipment rental charges.

D) Employees could be paid, overpaid, or incorrectly paid. Equipment

usage payments could be overpaid or incorrectly paid.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

For the Year Ended February 29, 2004

Recommendation:

- A) Special Assessment Receivable records should be more carefully maintained.
- B) Payroll paid must be reconciled to accurate reports/forms submitted to the IRS.
- C) Equipment rental rates need to be correctly and used per the State's approved Schedule C rates.
- D) Time cards and equipment usage records should be approved by a supervisor.

### III. FINDINGS - FINANCIAL STATEMENT AUDIT/COMPLIANCE

### 1. USDA Federal Loan Agreement Requirements:

Condition: The Village did not submit financial information to the USDA as

required.

Criteria: Accounting to the USDA loan agreement, the Village is required to

submit financial information, on an annual basis, to the USDA including a budget, the sewer rate schedule, a list of officials, and a copy of the

audited financial statements.

Effect: The violation of Federal requirements could result in various

enforcement actions.

Recommendation: The annual reporting requirements must be completed/submitted to the

USDA.

### IV. FOLLOW-UP TO PRIOR YEAR FINDINGS AND RECOMMENDATIONS:

The prior auditor comments were concerning:

- A) Lack of general ledger/inadequate bookkeeping procedures.
- B) Inappropriate loans between funds.
- C) Unreconciled special assessment receivable records.
- D) Problems with budget.
- E) Sewer debt financing problems.
- F) No investment policy.
- G) Inappropriate loan from Street Fund to Sewer Fund.

We found that there was no improvement in any of the above areas. The Village is continuing to have difficulties paying for its sewer system. It appears additional financing must be found as soon as possible.